

AGENDA ITEM 3b
AUDIT FINDINGS OVER ONE YEAR OLD
AS OF SEPTEMBER 30, 2011

Internal Audit Findings More Than One Year Old as of September 30, 2011

Title: Self Funded Health Plans Cash Flow (1/11/2005) - I04-012

Division responsible: Health Plan Administration Division

Observation:

Finding 6.1 - Health Plan Administration should work with Fiscal Services to have each self funded health program product separately identified and accounted for within the Health Care Fund, so it can conduct effective cash flow planning, management, monitoring and control.

Current Status:

OPEN. Health Plan Administration will collaborate with Fiscal Services as opportunities arise to account for the six funds' separation. In the interim, Health Plan Administration manages the financial resources of the Health Care Fund by performing routine cash analysis and enhancing an internal spreadsheet to include the Medical and Pharmacy Claims with the basic and supplemental breakdowns for the three plans. A long-term solution is dependent upon PSR implementation. The Health Plan Administration Division submitted an acceptance of risk form in October 2011 which is pending review.

Title: Review of Internal Controls SAM 20060 - FISMA (9/30/2005) - I04-008

Division responsible: Enterprise Privacy and Protection Office

Observation:

Finding 1.2 - We reviewed the Enterprise Project Management Framework and were unable to identify explicit guidelines that require systems to undergo the certification and accreditation process. Innovation Services Division should incorporate into the system development process explicit guidelines for security certification and processing controls considerations. Currently, Enterprise Privacy and Protection has taken responsibility of the security certification and accreditation process.

Current Status:

OPEN. The Enterprise Privacy and Protection Office will work with the Innovation and Implementation Services to determine other resolution alternatives. The Enterprise Privacy and Protection Office has not determined a new target completion date. As this finding is more than one year old, the Enterprise Privacy and Protection Office should submit documentation for closure for the finding or should submit written acceptance of risk.

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Title: UNIX Operating System Security Review (7/31/2006) - I04-024

Division responsible: Enterprise Privacy and Protection Office

Observation:

Finding 8.1 - Current security practice requires periodic examinations of networks, systems, and workstations to ensure compliance, but does not define who is responsible for monitoring. 111 of 281 accounts on 11 servers were not uniquely linked to a user. ISO should clarify the monitoring roles to ensure compliance with the Shared User ID's Practice.

Current Status:

OPEN. The Enterprise Privacy and Protection Office will obtain list of shared accounts and inform the responsible managers to resolve or disable non compliant accounts. Target completion date is November 30, 2011. As this finding is more than one year old, the Enterprise Privacy and Protection Office should submit documentation for closure for the finding or should submit written acceptance of risk.

Title: Review of Retroactive Health Benefit Terminations (4/16/2007) - I06-008

Division responsible: Customer Account Services Division

Observation:

Finding 2.2 - Customer Account Services should work with Health Policy Research to ensure COMET correctly limits reimbursements in accordance with program regulations.

Current Status:

OPEN. Customer Account Services is relying on the PSR/myCalPERS implementation which is to verify reimbursement limits in compliance with program regulations. Subsequent to September 30, 2011, the Customer Account Services Division completed corrective action. The finding will be reported as resolved for the quarter ending December 31, 2011.

Title: Review of Internal Controls - FISMA (12/17/2007) - I06-001

Division responsible: Enterprise Privacy and Protection Office

Observation:

Finding 1.6 - Enterprise Privacy and Protection does not currently monitor password compliance.

Current Status:

OPEN. The Enterprise Privacy and Protection Office states there are compensating controls in CalPERS systems that automatically prevent users from entering weak passwords and require users to change passwords periodically, thereby ensuring adequate strength of passwords. The Enterprise Privacy and Protection Office submitted an acceptance of risk form in September 2011 which is pending review.

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Observation:

Finding 1.9 - We reviewed a sample of 6 systems and did not observe evidence that management reviewed system logs for changes made to user profiles by security administrators.

Current Status:

OPEN. The Enterprise Privacy and Protection Office states that most existing CalPERS systems have been replaced by myCalPERS with new logging and monitoring requirements that mitigate the risks of unauthorized changes to user profiles. The Enterprise Privacy and Protection Office submitted an acceptance of risk form in September 2011 which is pending review.

Title: Review of Self-Funded Rate Development (8/29/2008) - I07-016

Division responsible: Health Policy Research Division

Observation:

Finding 1.1 - Although Health Policy Research has several tools to guide the rate development process, it lacks formal comprehensive policies and procedures that would allow for transparency.

Current Status:

OPEN. Health Policy Research Division is developing a detailed description of the self-funded rate development process and a glossary of rate development terminology. Subsequent to September 30, 2011, the Health Policy Research Division submitted evidence of corrective action which is pending review.

Observation:

Finding 1.2 - Health Policy Research does not have a documented quality control process for the rate development process.

Current Status:

OPEN. Health Policy Research Division is still in the process of designing and implementing a quality control process for each step in the rate development process. Subsequent to September 30, 2011, the Health Policy Research Division submitted evidence of corrective action which is pending review.

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Title: Kaiser Medicare Surcharge Review (6/30/2009) - I08-007

Division responsible: Health Policy Research Division

Observation:

Finding 1.1 - Our review showed that not all of the documentation was provided to assure the overall accuracy or validity of the Medicare Surcharge Buyout Premium.

Current Status:

OPEN. Health Policy Research Division is working with Kaiser to receive a data file that will allow Health Policy Research Division to review and validate information for the Medicare Surcharge Buyout Premium and should receive the first production file by July 2010. A long-term solution is dependent upon PSR/Voluntary Data Sharing Agreement implementation. As this finding is more than one year old, the Health policy Research Division should submit documentation for closure for the finding or should submit written acceptance of risk.

Observation:

Finding 1.2 - The Medicare Surcharge population identified by Kaiser in its Premcat report does not agree with the File Tracking Log generated by Kaiser, nor with CalPERS' records. These differences represent an average variances of 25.5 percent.

Current Status:

OPEN. Kaiser and Health Policy Research Division have developed a data file with the Medicare Surcharge Buyout Premium detail for Health Benefits to review and validate the information. Customer Account Services and Health Policy Research are developing procedures to address this new file and data. A long-term solution is dependent upon PSR/Voluntary Data Sharing Agreement implementation. As this finding is more than one year old, the Health policy Research Division should submit documentation for closure for the finding or should submit written acceptance of risk.

Title: Long Term Care Group (8/26/2009) - I08-018

Division responsible: Health Plan Administration Division

Observation:

Finding 1.3 - We reviewed seven claim appeal case files for completeness. We found some of the case files lacked key documents, such as initial appeal request letters, complete medical information, and disposition letters.

Current Status:

OPEN. Health Plan Administration is in the process of ensuring appeal case files are complete. As this finding is more than one year old, the Health Plan Administration Division should submit documentation for closure for the finding or should submit written acceptance of risk.

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Observation:

Finding 3.3 - Health Plan Administration did not have a copy of the 2008 resumption/disaster recovery plan submitted. Also, Health Plan Administration asserts that some of the existing reports received have been renamed, modified, and renumbered.

Current Status:

OPEN. Health Plan Administration is in the process of reconciling the list of required reports with the monthly reports received to determine its validity and will update agreement terms, if necessary. Subsequent to September 30, 2011, the Health Plan Administration Division submitted evidence of corrective action which is pending review.

Title: Anthem Blue Cross (10/8/2009) - I08-025

Division responsible: Health Plan Administration Division

Observation:

Finding 39.1 - We reviewed the monthly premium discrepancies referred to CalPERS. We noted 120 out of 966 (13 percent) discrepancies identified in January 2008 remained unresolved through October 2008. A similar issue was identified in the prior year's financial statement audit.

Current Status:

OPEN. Health Plan Administration has updated procedures to ensure timely review of premium discrepancies. However, a sample of discrepancy reports from Customer Account Services are required to validate timely review. Subsequent to September 30, 2011, the Health Plan Administration Division completed corrective action. The finding will be reported as resolved for the quarter ending December 31, 2011.

Title: Internal Domestic Fixed Income Program (9/13/2010) - I09-028

Division responsible: Enterprise Compliance Office

Observation:

Finding 5.2 - There is not a process in place to perform a periodic review of Aladdin system users to ensure that only authorized users should have access to the system and the user access is commensurate with current job functions.

Current Status:

OPEN. The Office of Enterprise Compliance agrees with the recommendation to perform a review of the BlackRock Aladdin users to ensure that only authorized users have access to the system and that such access is commensurate with current job titles and responsibilities. As this finding is more than one year old, the Office of Enterprise Compliance should submit documentation for closure for the finding or should submit written acceptance of risk.